

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 EB-08 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 FEAE-00 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
PRS-01 PA-01 NRC-05 /119 W
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FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 3579
INFO ALL EC CAPITALS
USMISSION IAEA VIENNA
USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 EC BRUSSELS 04024

E.O. 11652: GDS
TAGS: ENRG, TECH, MNUC, EEC, US
SUBJECT: US/EC SEMI-ANNUAL CONSULTATIONS: ENERGY AND NUCLEAR POWER

1. SUMMARY. US-EC DISCUSSIONS OF ENERGY MATTERS CENTERED ALMOST ENTIRELY ON THE PRESIDENT'S PROPOSED ENERGY PROGRAM ANNOUNCED THE DAY BEFORE. UNDER SECRETARY COOPER OUTLINED THE MAJOR OBJECTIVES OF THE PROGRAM. HE SAID THAT THE TWO ELEMENTS IN THE PROGRAM OF MOST DIRECT INTEREST TO THE EC CONCERNED THE PROPOSED TAX AND REBATE SYSTEM FOR AUTOMOBILES AND CHANGES IN US NUCLEAR POLICY. HE SAID THAT THE US IS PROPOSING THAT ENERGY BE ONE OF THE FOUR MAJOR TOPICS FOR THE MAY ECONOMIC SUMMIT IN LONDON WHICH HE HOPED WOULD SUPPORT THE PRESIDENT'S ENERGY PROGRAM AS WELL AS INTER-NATIONAL STUDY OF THE NUCLEAR FUEL CYCLE. HE ALSO FELT THAT, ALTHOUGH THE EC IS NOT A MEMBER OF THE LONDON NUCLEAR SUPPLIERS' GROUP, THE US WILL BE PREPARED TO CONSULT WITH THE EC IN THE PROCESS OF THE LONDON DELIBERATIONS. COMMISSIONERS HAFERKAMP AND BRUNNER PRAISED THE PRESIDENT'S PROGRAM BOTH DURING THE MEETING AND TO THE
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PRESS AFTERWARDS. THEY ALSO STRESSED THE IMPORTANCE OF A CONTINUED CLOSE DIALOGUE BETWEEN US AND EC ON ENERGY MATTERS. END SUMMARY

2. COMMISSIONER HAFERKAMP OPENED THIS PART OF THE CONSULTATIONS BY WELCOMING PRESIDENT CARTER'S ENERGY PROGRAM. COMMISSIONER BRUNNER, WHO DID MOST OF THE TALKING

FOR THE COMMISSION, STRESSED THE IMPORTANCE OF THE PRESIDENT'S MESSAGE FOR THE WORLD ECONOMY. THE PROPOSED ENERGY SAVING MEASURES IN THE U.S. MAY GIVE A DESIRED SIGNAL TO THE OIL PRODUCERS AND HAVE A DAMPING EFFECT ON FUTURE OIL PRICE INCREASES. BRUNNER SAID IT WILL ALSO AFFECT THE WESTERN ALLIANCE AND WAS GRATEFUL THAT THE PRESIDENT'S MESSAGE TAKE SEUROPEAN INTERESTS INTO ACCOUNT. UNLESS WE CONTINUE TO APPEAR UNITED, HE SAID, THE WRONG SIGNALS COULD BE GIVEN TO THE OIL PRODUCERS WHICH COULD LEAD THEM TO AN AGGRESSIVE OIL PRICE POLICY. BRUNNER NOTED THAT IT WAS ALSO VERY IMPORTANT THAT THE PRESIDENT REFERRED TO THE NEED TO DEVELOP NUCLEAR ENERGY. EUROPE IS MORE DEPENDENT THAN THE U.S. ON NUCLEAR ENERGY, BUT UNDER THE PRESSURE OF PUBLIC OPINION HAS HAD TO CUT DOWN ITS NUCLEAR ENERGY GOALS, AND HE IMPLIED THAT US ENDORSEMENT OF NUCLEAR POWER MAY WEAKEN SUCH INTERNAL OPPOSITION. AT THE SAME TIME, HE STRESSED IMPORTANCE OF NOT LETTING THE WRONG IMPRESSION OF PRESIDENT CARTER'S POSITION ON PLUTONIUM INFLUENCE PUBLIC OPINION AGAINST LIGHT WATER REACTORS. FURTHER CUTBACKS IN LWR DEVELOPMENT WOULD BE CATASTROPHIC FOR EUROPE BY THE MID-80'S. HE WELCOMED PRESIDENT CARTER'S INTENTIONS TO EXPAND NUCLEAR ENRICHMENT CAPACITY (AS HE SAID HAD BEEN DISCUSSED IN THE PRESIDENT'S TALK WITH COMMISSION PRESIDENT ROY JENKINS) AND NOTED THAT THE EC HAS RECENTLY BEEN DEPENDENT ON THE USSR FOR 55 PER CENT OF ITS ENRICHED URANIUM. EUROPE, HE NOTED, IS INTERESTED IN THE STATUS OF PAST U.S. CONTRACTS TO SUPPLY ENRICHED URANIUM AND IS ANXIOUS TO KNOW WHAT

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ARRANGEMENTS WILL BE FOR THE FUTURE. THE EC ALSO REQUIRES HIGHLY ENRICHED URANIUM (HEU) FOR RESEARCH AND DEVELOPMENT, WHICH WILL PERMIT IT TO UNDERTAKE STUDIES OF ALTERNATE FUEL CYCLES, INCLUDING HIGH TEMPERATURE REACTORS.

3. BRUNNER RECOGNIZED THE NEED FOR NUCLEAR NON-PROLIFERATION BUT STRESSED THAT NEW INITIATIVES BY THE U.S. SHOULD AVOID THE CREATION OF DIFFERENCES BETWEEN THE U.S. AND EUROPE. WE SHOULD, HE SAID, AVOID THE THEORY THAT PROLIFERATION CAN ONLY BE PREVENTED BY CERTAIN TECHNOLOGIES, RATHER THAN BY CONTROLS AND IMPROVEMENT OF CONTROLS. IT MAY BE HARD BUT BOTH SIDES SHOULD WORK TOGETHER WITHIN THE REALITIES OF THE SITUATION TO ACCOMMODATE THEIR INTERESTS RATHER THAN DEFENDING THEIR OWN THEORIES. HE STATED THAT THE EC "IS PREPARED TO CONSIDER ANY ALTERNATE FUEL CYCLE". BRUNNER STRESSED THAT THE U.S. AND EC SHOULD CONSULT COLOSELY, "POINT BY POINT," AND CONSIDER AND AGREE ON THE AIMS,

OBJECTIVES AND METHODS OF ENERGY POLICY IN ORDER TO
REACH AS MUCH AGREEMENT AS POSSIBLE.

4. UNDER SECRETARY COOPER REVIEWED THE OBJECTIVES OF
THE PRESIDENT'S PROGRAM, STRESSING THAT THE PRIMARY
MEASURES ARE ENERGY CONSERVATION AND SUBSTITUTION OF
COAL, NUCLEAR, SOLAR, AND OTHER FORMS OF ENERGY FOR
CRUDE OIL AND NATURAL GAS. HE SAID THAT THE PRESIDENT
HAS PREPARED A COMPREHENSIVE AND COMPLEX PROGRAM WHICH
WILL HAVE FAR-REACHING EFFECT THROUGHOUT THE ECONOMY.
IN FORMULATING THE PROGRAM, THE PRESIDENT WAS GUIDED
BY TWO CONSIDERATIONS: (A) IT SHOULD NOT HAVE AN ADVERSE
EFFECT ON ECONOMIC GROWTH, AND (B) SHOULD BE--AND BE
SEEN AS--FAIR TO ALL PARTIES. THE MESSAGE TO CONGRESS
IS A LONG AND COMPLEX DOCUMENT FORWARDING A VAST SET OF
DETAILED PROPOSALS. MANY OF THESE CONCERN PRICES,
TAXES AND SUBSIDIES TO ENCOURAGE CONSERVATION AS WELL
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AS SUBSTITUTION OF ENERGY SOURCES WHEEL AVOIDING WIND-
FALL PROFITS FOR ONE PART OF THE ECONOMY, REGION, OR
GROUP.

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5. UNDER SECRETARY COOPER STATED THAT HE FELT THERE WERE TWO AREAS IN THE PRESIDENT'S PROGRAM WHICH WOULD BE OF GREATEST INTEREST TO THE EC: (A) THE PROPOSED TAX AND REBATE SYSTEM ON AUTOS, AND (B) THE CHANGE IN POLICY ON NUCLEAR ENERGY. FOR THE FORMER, HE SAID HE HAD NO PRECISE DETAILS ON THE FINAL DECISIONS ABOUT HOW WE WOULD NEGOTIATE WITH FOREIGN CAR SUPPLIERS, BUT HE DID OUTLINE SOME OF THE ALTERNATIVES THAT HAD BEEN CONSIDERED. FOR THE LATTER, HE REPORTED THAT THE PRESIDENT RECOGNIZES THE GREATER DEPENDENCY OF FOREIGN COUNTRIES ON NUCLEAR ENERGY AND WILL ACCOMMODATE THIS NEED, CONSISTENT WITH OUR NON-PROLIFERATION GOALS. ACCORDING TO PROCEDURES WHICH WERE JUST INITIATED THIS WEEK, EXPORTS OF HEU IN QUANTITIES GREATER THAN 15 KILOGRAMS EACH MUST BE PERSONALLY APPROVED BY THE PRESIDENT. PENDING REQUESTS HAVE GONE BEFORE HIM FOR A DECISION AND WILL THEN GO TO THE NUCLEAR REGULATORY COMMISSION. HE WARNED THAT SINCE HEU, LIKE PLUTONIUM, CAN BE USED FOR NUCLEAR WEAPONS, THE U.S. IS CONCERNED THAT THERE BE EFFECTIVE SAFEGUARDS. HE

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WAS HOPEFUL, HOWEVER, THAT PDNING APPLICATIONS COULD BE ACTED ON WITHIN A MATTER OF WEEKS RATHER THAN MONTHS.

7. BRUNNER INQUIRED AS TO HOW THE U.S. ENVISAGED INSTITUTIONAL ARRANGEMENTS FOR CONTINUING CONTACTS AND CONSULTATIONS WITH THE EC ON NUCLEAR MATTERS. HOW WOULD THESE RELATE TO THE LONDON NUCLEAR SUPPLIERS' GROUP? IS COOPERATION ON ENERGY R AND D USEFUL AND HOW CAN IT BE CARRIED OUT?

8. UNDER SECRETARY COOPER SAID THAT HE CANNOT BE SPECIFIC AT THIS TIME REGARDING INSTITUTIONAL PROCEDURES FOR SUCH CONTINUING US/EC CONSULTATIONS, BUT HE WILL ASK THE RESPONSIBLE STATE DEPARTMENT OFFICIALS TO DISCUSS THIS WITH THE COMMISSION. HE NOTED THAT THE LONDON SUPPLIER'S GROUP IS MEETING NEXT WEEK. WHILE THE EC PER SE IS NOT REPRESENTED IN THE LONDON GROUP, SOME OF ITS MEMBER STATES ARE, AND THE U.S. WILL BE HAPPY TO HAVE CONSULTATIONS WITH THE EC FURING THE PROCESS OF THE LONDON DELIBERATIONS.

9. BRUNNER EXPRESSED PLEASURE REGARDING THE U.S. DECISION ON NUCLEAR FUEL EXPORTS AND SAID THAT PUBLICLY RELEASING THIS INFORMATION WOULD BE HELPFUL. HE ALSO ASKED HOW ENERGY ISSUES WILL BE HANDLED AT NEXT MONTH'S LONDON SUMMIT MEETING.

10. UNDER SECRETARY COOPER NOTED THAT ENERGY IS ONE OF THE FOUR MAJOR ITEMS PROPOSED BY THE U.S. FOR THE AGENDA OF THE LONDON SUMMIT, AND IT WOULD UNDOUBTEDLY FOCUS ON THE PRESIDENT'S ENERGY PROPOSALS. HE WOULD HOPE THAT THE OTHER PARTICIPATING GOVERNMENTS COULD PUBLICLY ENDORSE PRESIDENT CARTER'S PROGRAM, WOULD COMMIT THEMSELVES TO COMPARABLE PROGRAMS, AND COULD AGREE ON THE NEED FOR AN INTERNATIONAL STUDY ON THE NUCLEAR
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FUEL CYCLE. HE ALSO HOPED THE SUMMIT COULD CONSIDER GREATER INTERNATIONAL COOPERATIVE EFFORTS ON RESEARCH AND DEVELOPMENT ACTIVITIES IN THE ENERGY AREA, PARTICULARLY IN REGARD TO ENERGY NEEDS BEYOND 1985.

11. IN CONCLUSION, COMMISSION HAFERKAMP EXPRESSED HIS GRATIFICATION FOR PRESIDENT CARTER'S "REVOLUTIONARY ENERGY PROGRAM." HE NOTED THAT THE EC MUST ALSO MAKE FURTHER EFFORTS ON ENERGY POLICY. HE WAS REASSURED THAT THERE WILL BE FURTHER CONTACTS AND OPEN DISCUSSIONS ON ENERGY PROBLEMS BETWEEN TH U.S. AND THE EC.

12. IN A PRESS CONFERENCE FOLLOWONG THE MEETING, BRUNNER AND HAFERKAMP PRAISED THE PRESIDENT'S PROPOSED MEASURES. THEY NOTED IT SHOULD ACT TO INSPIRE EC ENERGY POLICY, AND BRUNNER SAID THE WOULD BE SUBMITTING A SPECIFIC ENERGY SAVING PLAN TO THE EC COUNCIL IN JUNE. BRUNNER TOLD THE PRESS THAT HE HOPED THE OIL PRODUCERS WOULD TAKE INTO ACCOUNT THE SERIOUS EFFORTS BY THE U.S. AND EUROPE WORKING TOGETHER TO CONSERVE ENERGY WHEN THEY DETERMINE THE PRICE OF OIL. HINTON

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